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TO AMEMBASSY BERN PRIORITY
INFO MISSILE TECHNOLOGY CONTROL REGIME COLLECTIVE

S E C R E T STATE 013055

SIPDIS

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TAGS: [PARM](#) [MTCRE](#) [PREL](#) [MNUC](#) [ETTC](#) [SZ](#) [IR](#)

SUBJECT: (S) SWISS FIRM EXPORTS MACHINE TOOLS TO IRAN,
COULD FACE SANCTIONS

Classified By: ISN/MTR ACTING DIRECTOR RALPH PALMIERO FOR
REASONS 1.4 (B), (D), AND (H).

¶1. (S) Background: The U.S. has information indicating that in July 2006, the Swiss firm Schaublin Machines SA sold a model 180-CCN high-precision lathe to Iran's Schiller Novin, an entity with a history of procuring items on behalf of Iran's defense industry (including the Shahid Hemmat Industrial Group (SHIG), Iran's primary developer of liquid-fueled ballistic missiles). We believe that this lathe is controlled by the Wassenaar Arrangement, and that it could potentially be controlled under the Nuclear Suppliers Group. We also understand that in August 2006, Schaublin was finalizing delivery arrangements regarding the shipment of another lathe to Schiller Novin. Like the machine shipped to Iran in July 2006, we believe this lathe is Wassenaar-controlled. High precision machine tools such as those produced by Schaublin are capable of producing a wide array of structural components for missiles.

¶2. (S) Objectives: While these activities occurred in 2006, we want to share this information with Swiss officials now because of the possibility that Schaublin could be sanctioned pursuant to the Iran, North Korea and Syria Nonproliferation Act (INKSNA). We also want to advise the GOS that, in reviewing these cases, the U.S. Government will take into consideration any information the Swiss government can provide, including actions it takes to prevent further such transactions by Schaublin.

¶3. (U) Action Request: Department requests Embassy Bern approach appropriate host government officials to deliver talking points in para 4 and report response. Points may also be left as a non-paper.

¶4. (S//REL SWITZERLAND)

-- We would like to raise with you a matter of proliferation concern involving an Iranian intermediary's business dealings with two Swiss machine tool manufacturers.

-- Specifically, we understand that in July 2006, the Iranian company Schiller Novin procured one model 180-CCN high-precision lathe from Schaublin Machines SA of Bevilard, Switzerland. Schiller Novin purchased this machine - which we believe to be controlled by the Wassenaar Arrangement, and could potentially be controlled by the NSG - on behalf of Iran's Hamid Die-Manufacturing Co.

-- Similarly, in August 2006, Schaublin Machines was in the process of finalizing delivery arrangements regarding the shipment of another lathe to Schiller Novin. Like the machine shipped to Iran in July 2006, we believe this lathe is Wassenaar-controlled.

-- We are concerned that the machines purchased from Schaublin by Schiller Novin could potentially have

been diverted to support military- or missile-related projects in Iran.

-- Schiller Novin regularly acts as an intermediary for defense sector entities in Iran. In 2004, Schiller Novin purchased machine tools from Schaublin Machines that were intended for the Shahid Hemmat Industrial Group (SHIG), the organization responsible for developing Iran's liquid-fueled ballistic missile program.

-- We hope you will use this information to investigate these transactions and use all appropriate measures to ensure that Schaublin is not acting as a supplier of high-end machine tools to unauthorized end-users in Iran.

-- Although these activities occurred in 2006, we are sharing this information with you now because of the possibility that Schaublin could be sanctioned pursuant to the Iran, North Korea and Syria Nonproliferation Act (INKSNA).

-- Under the INKSNA (formerly the Iran Nonproliferation Act of 2000), transfers to Iran of items on a multilateral control list, such as machine tools controlled by the NSG and Wassenaar Arrangement, must be reported to the U.S. Congress and can potentially result in sanctions being imposed against the entities involved.

-- The U.S. Government will consider any information your government provides as part of our sanctions review.

-- Such information could include enforcement actions taken by your government to prevent future such transfers by Schaublin to Iranian entities of concern.

-- We look forward to continued close cooperation on nonproliferation matters and would appreciate hearing the results of any actions your government takes in response to this information.

End points/non-paper

15. (U) Please contact ISN/MTR's John Paul Herrmann with any questions or follow-up issues related to this case (202-647-1430 - herrmannjp@state.sgov.gov) and slug reporting on this issue for ISN/MTR.

16. (U) A word version of this document will be posted at www.state.sgov.gov/demarche.

RICE

NNNN

End Cable Text